

# IA Clarington Loomis International Growth Fund

## Manager commentary – Q4 2025

IA Clarington Loomis International Growth Fund Series A returned -5.2% during the fourth quarter, compared to 3.5% for the MSCI ACWI ex USA Index (\$CAD).

The three largest contributors to performance in the fourth quarter were Roche Holdings AG, Fanuc Corporation, and LVMH Moët Hennessy Louis Vuitton SE.

Founded in Basel, Switzerland in 1896, Roche (ROG SW) is a global biopharmaceutical and diagnostics company, generating more than 75% of its revenues from pharmaceuticals and nearly 25% from diagnostics. Roche leads in oncology, account for about one-third of pharmaceutical revenue, and maintains a diverse portfolio spanning immunology, infectious disease, ophthalmology and neuroscience. We believe Roche's substantial and sustainable competitive advantages include its oncology expertise, integrated diagnostics, biologics capabilities, and strong commercialization and regulatory experience. Roche's financial results were modestly below consensus expectations for revenues, but showed solid commercial execution and progress in its clinical pipeline. In November, shares rose after positive phase 3 results for fenebrutinib, which slowed multiple sclerosis progression and reduced relapses, and giredestrant, a potential first-line breast cancer pill. Revenue grew 7% year-over-year in constant currency. In pharmaceuticals, Roche saw an ongoing uptake in growth products including Phesgo (breast cancer), Xolair (asthma and allergies), Hemlibra (hemophilia A), Vabysmo (retinal diseases), Ocrevus (multiple sclerosis) and Polivy (lymphoma). Roche now has 16 therapies with annual sales of at least US\$1 billion, doubling from eight in 2015. We believe Roche is successfully managing the decline of leading off-patent oncology therapies and advancing next-generation cancer franchise through innovative follow-on and combination therapies, as well as improved administration. Roche's deep pipeline, supported by more than CHF 110B invested in research and development (R&D) over the past decade combined with its ability to identify and capitalize on externally developed technologies, such as its acquisition of Spark Therapeutics' gene therapy platform, positions the company for future growth. We believe Roche continues to redeploy cash flows from its mature franchise to support product extensions and ongoing innovation. We also believe Roche is positioned for strong growth as rising global populations, aging demographics and improving healthcare standards expand patient numbers worldwide. In our view, Roche shares currently embed growth expectations below our long-term assumptions for revenue and drivers of cash flow growth. As a result, we believe shares trade at a discount to our estimate of intrinsic value and offer an attractive reward-to-risk opportunity.

FANUC Corporation (TYO: 6954) is a global leader in the factory automation industry, serving

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customers in over 100 countries from over 270 service locations worldwide. The company was founded by Dr. Seiueemon Inaba as a division of Fujitsu in the 1950s before becoming an independent company in 1972. Dr. Inaba pioneered the NC (numerical control) and CNC (computer numerical control) technologies that serve as the operating systems for machine tools, and the name FANUC is derived from “Factory Automation NUmerical Control.” Today, FANUC is a market leader in each of its three primary operating segments: Factory Automation, where its CNC systems are used to operate machine tools assembled by original equipment manufacturers (OEMs); Robot, where the company’s industrial robots are used to replace manual labour in repetitive manufacturing processes; and Robomachine, where the company makes specialized machine tools. We believe FANUC’s strong and sustainable competitive advantages include its technology leadership, a market-leading installed base of clients that face high switching costs to change providers, and a substantial cost advantage. FANUC delivered a stronger-than-anticipated quarter and raised its full-year guidance. Total revenue increased 9%, driven primarily by a 16% rise in Robotics. Orders grew 11%, with Robotics up 38%, while Factory Automation and Robomachine orders declined year-over-year. Regionally, China remained the key growth engine, posting a 26% revenue increase and a 10% gain in orders. The Americas also showed robust performance, with revenue and orders up 18% and 24%, respectively. Despite year-over-year margin compression owing to one-off factors in the prior year, gross margins were solid at 37.4% and EBIT margin at 20.6%. The company anticipates improved margins and lower costs as well as capital expenditures to invest in physical artificial intelligence (AI), though not looking to participate in Humanoids. FANUC will showcase new products in December. We believe the primary growth driver for FANUC is secular growth in factory automation. We believe FANUC’s share price is embedding expectations for free-cash-flow growth that is well below our long-term expectations. We believe margins will continue to improve from a rebound in the company’s cyclical end markets. As a result, we believe the shares are trading at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

Paris-based LVMH MOËT HENNESSEY LOUIS VUITTON (MC-FP) is the world’s largest luxury company and possesses a portfolio of iconic brands, which on average are more than a century old. The company’s five primary business units are: fashion & leather goods (approximately 48% of revenues); selective retailing (21% of revenues); perfumes & cosmetics (9%); watches & jewelry (12%); and wines & spirits (7%). In each segment, we believe the company is among the best positioned to benefit from structural growth in the global luxury market. From a regional perspective, Asia accounts for 36% of sales, with approximately 25% in the U.S., 25% in Europe and 13% from the rest of the world. We believe LVMH’s enduring strengths include its brands and scale, which are among the greatest competitive advantages in the luxury goods business. LVMH’s third-quarter 2025 results showed revenue of €18.28B, down 4% reported but up 1% organically, outperforming consensus expectations. The business remains pressured by post-pandemic demand normalization, especially among aspirational consumers, with sentiment

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notably affected by ongoing macroeconomic weakness in China—a market that historically accounts for 25–30% of global luxury sales. Management noted that all business groups showed improving trends in the third quarter, with fashion & leather goods (FLG) posting a smaller decline and all other divisions returning to positive growth. FLG was down 2% organically but improved owing to higher traffic and volumes, helped by Louis Vuitton’s retail innovations and Dior’s creative refresh and flagship reopening. Wines & spirits returned to +1% organic growth. Perfumes & cosmetics rose 2% organically, watches & jewelry climbed 2% led by Tiffany and Bvlgari, and selective retailing grew 7% on Sephora’s standout results. The U.S. and Asia (excluding Japan) saw sales growth, Japan’s performance got better, and Europe stayed generally stable. LVMH’s market share declined 90 basis points (bps) quarter-over-quarter and 100 bps year-over-year, but it remains the industry leader with a commanding 55% share, based on current estimates. We believe LVMH’s structural growth driver is rising global luxury demand, fueled by increasing per-capita GDP, increasing the number of affluent households, which has strongly correlated to increased luxury spending. At current valuations, we see an under-appreciation of the durability of LVMH’s competitive advantage period, arising from almost impenetrable barriers to entry for many of its brands whose timeless qualities that have been built over decades and centuries. We believe the current market price embeds expectations for free-cash-flow growth that are well below our long-term estimates. As a result, we believe the company is selling at a significant discount to our estimate of intrinsic value and offers a compelling reward-to-risk opportunity.

The three largest detractors from performance in the fourth quarter were Doximity Inc., MercadoLibre Inc. and ARM Holdings PLC.

Doximity (DOCS) is a cloud-based platform for U.S. medical professionals, founded in 2010. It now serves over two million members, including about 800,000 physicians across all specialties. Doximity offers tools for collaboration, secure patient care coordination, virtual visits, personalized news, research and career management. Free for healthcare providers, Doximity generates revenue mainly through targeted marketing access to pharmaceutical companies and healthcare systems. We believe Doximity’s strong and sustainable competitive advantages include the power of its network, “physicians-first” focus, and trusted brand. It connects over 80% of U.S. physicians (up from 25% in 2013) and 90% of graduating U.S. medical students. Members average more than 50 professional connections, driving engagement, referrals and knowledge sharing. Growing membership and usage strengthen its network effect, in turn driving higher membership and greater “stickiness” among users. Doximity reported strong quarterly results, outperforming consensus expectations for revenue, operating income and EPS. Revenue for the quarter increased 23% year-over-year, while adjusted-EBITDA margins expanded to 59.8% from 55.7%. However, the company’s share price reacted negatively to full-year fiscal 2026 guidance, which indicated that revenue growth would slow to the high single digits in the second half of the year. We view this cautious outlook as a reflection of management’s conservatism rather than any

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change to our investment thesis. Engagement among medical professionals continues to hit record levels, with unique active users growing year-over-year across quarterly, monthly and daily timeframes. Features like the personalized newsfeed and workflow tools achieved record usage, and engagement with Doximity's suite of AI products increased fivefold compared to the previous year. We believe these trends underscore the platform's growing utility and its potential for further monetization. The primary growth driver for Doximity is the shift from traditional to digital marketing in healthcare. Currently, less than 30% of healthcare advertising is digital, versus greater than 80% in industries such as computing and media and entertainment. Given the superior Return on Investment (ROI) of digital advertising and increasing restrictions on in-person access to medical professionals, we anticipate that digital marketing will grow substantially, potentially reaching 50% of total healthcare advertising spend. We believe Doximity is well positioned to capture a greater share of this opportunity, potentially growing its portion of the digital market from about 5% to more than 25% over our investment time horizon. We believe Doximity can achieve mid-teens annual revenue growth, benefit from operating leverage as it continues to scale, and that operating profits and free cash flow will grow faster than revenue. We believe the current share price does not fully reflect these prospects and is thereby selling at a significant discount to our estimate of its intrinsic value, offering a compelling reward-to-risk opportunity.

MercadoLibre (MELI) is the largest online commerce platform in Latin America, with over 100 million active buyers last year and what we estimate to be over 10 million unique sellers. MELI currently operates in 18 countries representing the vast majority of the region's GDP. The company's ecosystem also benefits from 61 million monthly fintech users. MELI offers six integrated services including marketplace, payments and fintech, logistics and advertising. Its strong ecosystem and local expertise – difficult-to-replicate competitive advantages – coupled with ongoing investments, position MELI for sustained growth as internet access and e-commerce adoption rise across the region. MELI's latest results exceeded consensus for Gross Merchandise Value (GMV) and revenue but missed on operating income and profits owing to higher investments. GMV rose 35% to \$16.8 billion FX neutral, and net revenue grew 39% year-over-year to \$7.4 billion, reflecting robust Commerce and FinTech growth. Commerce contributed 56% of revenue, led by strong gains in Brazil, Mexico and Argentina. FinTech, representing 44% of revenue, grew 63% with credit-related revenue making up 47% of FinTech revenue. As a result of increased investments, MELI's operating margins declined by 70 bps to 10%, but have improved from single digits to low double digits in recent years, supporting an attractive financial model. Management prioritizes long-term growth, enhancing user experience with expanded fulfillment centre and faster delivery. Still, the company stays committed to balancing user-focused investments and maintaining sustainable profitability. Driven by the secular growth of e-commerce across Latin America, we believe MercadoLibre remains well positioned for sustained growth over the next decade. We believe the penetration of e-commerce can more than double to the mid-20% level. With its attractive margins and low-capital-intensity business model, we believe MELI will likely generate annualized free

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cash growth of approximately 20% and cash flow returns on invested capital well above the cost of capital. We believe the current market price embeds expectations for key revenue and cash flow growth drivers that are well below our long-term assumptions. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and offer a compelling long-term reward-to-risk opportunity.

Arm Holdings (ARM) is the world's top supplier of microprocessor intellectual property, licensing its technology to leading semiconductor companies for use in markets such as mobile, cloud, automotive, and IoT (internet of things). Clients pay licensing fees and ongoing royalties, with royalty streams often lasting decades. Significant R&D investment and innovation has led to the launch of its advanced Armv9 architecture and Neoverse platform, which has strengthened its position in the data centre market. ARM's core value is rooted in its industry-standard Instruction Set Architecture (ISA), which unifies software and hardware development, creating interoperability and high switching costs for partners. This has resulted in ARM maintaining 95% share of processors used in mobile devices. The company's cumulative R&D, deep expertise and strong brand have fostered a complex business ecosystem that is difficult to replicate, creating significant barriers to entry for competitors. ARM again delivered record quarterly results in its ninth quarter as a public company. The company is experiencing rapid adoption of its higher-royalty technologies, especially for AI applications and its Armv9 architecture. Armv9 now contributes over 30% of total royalty revenue, with a royalty rate twice that of the previous Armv8 architecture. ARM's Neoverse architecture is also gaining ground in cloud server computing and automotive applications. Even with growing adoption of its latest architecture, as of the company's most recent fiscal year, approximately 50% of ARM's royalty revenue came from products launched over a decade ago, which highlights the persistence of revenue from ARM's technology. Once focused primarily on mobile, ARM has expanded into diversified end markets totaling about US\$300 billion in annual spending. Non-mobile segments now account for 65% of fiscal 2023 revenue. The combination of market expansion, share gains and pricing power supports the outlook for high-teens compounded annual revenue growth. We forecast royalty revenue will likely reach 80% of total business over our forecast period. With the high-margin royalty business expected to maintain operating margins above 75% and growing scale across other segments, we forecast operating income and free cash flow to grow even faster—at rates in the low 20% and approximately 30% ranges, respectively. In our view, ARM shares are currently undervalued relative to the company's sustainable growth and margin expansion opportunities, presenting an attractive reward-to-risk profile for long-term investors.

We believe that markets are efficient over the long term, but innate behavioural biases, such as herding, overconfidence or loss aversion, can influence investment decisions in the short term and create asset pricing anomalies. These pricing inefficiencies converge toward intrinsic value over time. Market efficiency is thereby dynamic, existing along a continuum between fully efficient and inefficient pricing.

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Therefore, we attempt to identify intrinsic value and exploit the long-term differential between this value and the market's current perception.

Ultimately, our job is to allocate capital to the most compelling reward-to-risk opportunities. Therefore, the more attractive the reward-to-risk opportunity, the larger the Fund's capital allocation and position weight. At the end of the period, the Fund held 36 positions, with the top 10 representing 53.0% of total assets.

Fund and benchmark performance, as at December 31, 2025	1 year	Since inception (Jun. 2024)
IA Clarington Loomis International Growth Fund – Series A	3.6%	10.3%
<b>MSCI ACWI ex USA Index (CAD)<sup>1</sup></b>	26.2%	20.4%

For definitions of technical terms in this piece, please visit [iaclarington.com/glossary](http://iaclarington.com/glossary) and speak with your investment advisor.

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The performance data comparison presented is intended to illustrate the Fund's historical performance as compared with historical performance of widely quoted market indices. There are various important differences that may exist between the Fund and the stated indices that may affect the performance of each. The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 1,981 constituents, the index covers approximately 85% of the global equity opportunity set outside the US. The Fund's market capitalization, geographic and sector exposure may differ from that of the benchmark. The Fund's currency risk exposure may be different than that of the benchmark. The Fund may hold cash while the benchmark does not. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance. Indicated mutual fund rates of return include changes in share or unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Returns for more than one year are historical annual compounded total returns while returns for one year or less are cumulative figures and are not annualized.

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